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INTRODUCED BY    Assembly Member Torlakson

(Coauthors:    Assembly Members Alquist, Cedillo, Corbett, Davis, Ducheny, Dutra, Gallegos, Hertzberg, Jackson, Kuehl, Longville, Lowenthal, Mazzoni, Reyes, Romero, Shelley, Steinberg, Strom-Martin, Thomson, Villaraigosa, Washington, Wiggins, and Wildman)

(Coauthors:    Senators Alarcon, Chesbro, Figueroa, Murray, Perata, Polanco, Sher, and Vasconcellos)

MARCH 6, 2000

An act to add and repeal Article 2.10 (commencing with Section 65891) of Chapter 4 of Division 1 of Title 7 of the Government Code, and to add Chapter 3.7 (commencing with Section 50540) to Part 2 of Division 31 of the Health and Safety Code, relating to balancing jobs and housing.

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2864, Torlakson.    Balance of jobs and housing.

Existing law requires the Department of Housing and Community Development to prepare a guidebook for use by governmental agencies in planning and developing a housing supply to meet the need created by employment growth. Existing law requires a city or county to include a housing element in its general plan, and, for that purpose, prescribes criteria for determining the city or county share of the regional housing needs, including a requirement that the distribution of regional housing needs take into account, among other things, market demand for housing and employment opportunities.

This bill would create the Inter-Regional Partnership State Pilot Project to Improve the Balance of Jobs and Housing, which would be monitored by the Department of Housing and Community Development, to test and evaluate policies and incentives, as specified, to mitigate current and future imbalances of jobs and housing in specified

counties. The bill would make these provisions inoperative on July 31, 2004, and would repeal them as of January 1, 2005.

The bill would also establish the Jobs-Housing Balance Improvement Program that would require the department to make grants to eligible local agencies from funds appropriated in the Budget Act of 2000 for assistance in attracting new business and jobs in "housing rich" communities that lack an adequate employment base to match the amount and cost of housing in those communities, for the creation of economic development strike teams to target and coordinate outreach to employees who may choose to locate within the community, and for specified capital outlay projects designed to encourage the construction of housing in urbanized areas.

This bill would also require a specified amount of the funds appropriated in the Budget Act of 2000 to be transferred to the existing Rental Housing Construction Fund, which is continuously appropriated to the department, for purposes of an existing urban predevelopment loan program administered by the department, subject to specified conditions.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Article 2.10 (commencing with Section 65891) is added to Chapter 4 of Division 1 of Title 7 of the Government Code, to read:

Article 2.10. Inter-Regional Partnership (IRP) State Pilot Project to Improve the Balance of Jobs and Housing

65891. This article may be cited and shall be known as the Inter-Regional Partnership (IRP) State Pilot Project to Improve the Balance of Jobs and Housing.

65891.1. For the purposes of this article, the following terms have the following meanings:

(a) "Inter-Regional Partnership" or "IRP" means an organization of elected officials from the Counties of Alameda, Contra Costa, Santa Clara, San Joaquin, and Stanislaus and a number of cities therein, that was formed under the sponsorship of the three regional councils of government, the Association of Bay Area Governments (ABAG), the San Joaquin Council of Governments, and the Stanislaus Council of Governments, that oversee regional land use and transportation planning for the five counties.

(b) "Incentives" include, subject to negotiations with appropriate state and local agencies, the following:

(1) Providing tax credit priority for development of multifamily residential construction in areas with job surpluses and for job generating projects in areas with housing surpluses.

(2) Providing a return of property tax for development of affordable housing in areas with job surpluses and for job generating projects in areas with housing surpluses.

(3) Pooling of redevelopment funds.

(4) Tax-increment financing for jobs-housing opportunity zones based on the redevelopment model.

(c) "Jobs-housing opportunity zone" means a zone selected by the IRP State Pilot Project for the purpose of mitigating current and future imbalances of jobs and housing in the Counties of Alameda, Contra Costa, Santa Clara, San Joaquin, and Stanislaus that has the following characteristics:

(1) Is no smaller than 50 acres and no larger than 500 acres.

(2) Contains significant portions of land that are vacant, underutilized, and suitable for urban use.

(3) Is created for the purpose of either providing needed workforce housing if there is a surplus of jobs or providing jobs for the area's workers if there is a surplus of housing.

(4) Is eligible to receive incentives, subject to negotiation with appropriate resource agencies.

(5) Is serviced by adequate infrastructure and transit service, or has commitments to provide adequate infrastructure and transit service, to support significant proposed development.

(6) Is intended to support development that will improve the jobs-housing imbalance across the five-county IRP area.

65891.2. It is the intent of the Legislature to establish the Inter-Regional Partnership (IRP) as a state-supported pilot project to test and evaluate a variety of policies and incentives designed to mitigate current and future imbalances of jobs and housing in the Counties of Alameda, Contra Costa, Santa Clara, San Joaquin, and Stanislaus.

65891.3. The Legislature finds and declares all of the following:

(a) California will experience significant population growth in the coming decades. In the San Francisco Bay Area, one million new residents are forecast by the year 2020. An equal number of new jobs are expected during the same time period. However, less than 500,000 new housing units are expected to be built in an already costly and competitive housing market.

(b) Many central valley communities expect to double or triple in size, but most of them will not attract equivalent numbers of new jobs. Instead, thousands of central valley residents are expected to commute far into the bay area, often driving two hours or more each way. The challenges to transportation, air quality, and social quality of life are enormous. Projections estimate the current number of less than 100,000 daily Altamont Pass commuters will more than double to 250,000 by the year 2020.

(c) These growth-related issues cut across county and regional boundaries. The Inter-Regional Partnership is intended to provide a

forum for neighboring jurisdictions governed by different regional councils of government to deal collaboratively with land use, transportation, and air quality issues that affect a five-county region.

(d) The IRP State Pilot Project will stand as an important example for other regions in the state in dealing with multijurisdictional problem solving and addressing land use planning across metropolitan borders.

(e) The need for communication and cooperation among these jurisdictions is underscored by the fact that Alameda County recently sued the City of Tracy in San Joaquin County concerning the environmental impacts of a planned housing development on the western edge of the county where a majority of residents would be assumed to commute into the San Francisco Bay Area through Alameda County.

(f) These interjurisdictional planning issues are not unique to the IRP's five-county area; several other expanding metropolitan areas in California are beginning to experience similar problems. However, the geographic imbalance in housing and job growth in the IRP area is among the country's most extreme examples, and, driven by continued employment growth in the Silicon Valley, is predicted to worsen significantly in the coming years.

(g) The housing market in the Silicon Valley is now the most expensive in the nation. Land being developed for housing in the San Joaquin Valley is some of the highest quality agricultural land in the world.

(h) The IRP area is the best place in the state, and probably one of the best in the country, to implement a pilot program designed to mitigate the myriad of problems associated with unbalanced and uncoordinated growth.

(i) By implementing this pilot program, the state will play an important role in creating a more sustainable future pattern of land use in the IRP area.

(j) Active investment of state resources now in the interregional balancing of jobs and housing opportunities will reduce the need for costly transportation infrastructure investments in the future.

(k) The current path of land development in the five-county area will have very costly transportation and environmental impacts if efforts are not made soon to link job growth to housing production.

65891.4. (a) The Inter-Regional Partnership (IRP) State Pilot Project to Improve the Balance of Jobs and Housing is hereby established.

(b) The Department of Housing and Community Development shall be the state agency responsible for monitoring the IRP State Pilot Project.

(c) The pilot project shall consist of two phases: (1) research and development, as specified in Section 65891.5, and (2) implementation, as specified in Section 65891.7.

65891.5. (a) During the first year after the date that funding is

received, the IRP shall complete all the necessary research, outreach, and negotiation to allow the successful establishment of jobs-housing opportunity zones throughout the five IRP counties. At the end of this phase a series of outreach meetings shall be held with local jurisdictions and the public to present the data and recommendations for locations of jobs-housing opportunity zones. Local jurisdictions wishing to participate in the pilot project shall enter into agreements with the IRP to pursue the regional goals and objectives of opportunity zones within their jurisdictions.

(b) The first phase shall provide all of the following:

(1) An integrated Geographic Information System (GIS) enabling easy comparison of data on land use and transportation trends and alternative scenarios across the five-county area. The GIS mapping shall focus on obtaining existing data from a variety of sources and integrating them into a single system to allow accurate analysis and scenario work on an interregional scale. The Legislature finds and declares that the IRP's GIS system will be a crucial tool for use in determining the location of proposed jobs-housing opportunity zones.

(2) General types of data to be assembled in the GIS system shall include:

(A) Demographic data, including population and employment by census tract.

(B) Projected growth data consisting of information on where growth, including jobs generation and new housing location, is predicted to occur over a 20-year period.

(C) Transportation information such as traffic capacity and usage, transit access and usage, and journey-to-work data.

(D) Land use information, including general plan layers and zoning designations. It is the intent of the Legislature that to reduce costs and setup time, the IRP's GIS undertaking shall not include parcel-level data.

(E) Basic environmental data, including floodplains, slopes, and contamination.

(3) A refined description of the incentive program for application to the jobs-housing opportunity zones within the IRP counties. This list shall include thorough descriptions of fiscal and nonfiscal incentives. A variety of state departments shall be involved in determining what incentives might be made available, including, but not limited to, the Office of Planning and Research, the Department of Housing and Community Development, the California Housing Finance Agency, the Department of Transportation, and the Department of Conservation.

(4) Recommendations for establishing 5 to 10 official Inter-Regional Partnership Jobs-Housing Opportunity Zones located throughout the five-county area. Using the GIS system and meeting with local jurisdictions, the IRP shall propose a series of jobs-housing opportunity zones. Each zone shall have specific goals

and a description of the type of action desired to attain these goals, including recommended state sponsored incentives intended to encourage the desired results. The types of incentives requested may vary by zone location and type. Zones located near, or with good transit access to, existing major employment centers may receive incentives designed to promote reasonably priced housing development.

Zones located far from existing employment centers, but near, or with good transit access to, significant workforce housing supply, may receive incentives designed to promote employment development.

65891.7. (a) During the second phase of the pilot project, opportunity zones shall be established. Negotiation between the state, the IRP, and local jurisdictions shall result in formal agreements to implement specific jobs-housing opportunity zones.

(b) Results of the second phase shall include:

(1) Final selection of not less than 5 nor more than 10 official IRP Jobs-Housing Opportunity Zones that shall be equitably distributed among each of the five IRP counties.

(2) Reports that include results of GIS analysis and clearly illustrate the benefits of prescribed developments toward creating an interregional jobs-housing balance. Desired outcomes and actions for each zone shall be included in the report.

(3) The IRP shall enter into a memorandum of understanding with each jurisdiction having one or more of the selected zones for the pilot program and with appropriate state agencies outlining outcomes and incentives to be awarded for stated outcomes.

65891.8. (a) The goals of the IRP and the pilot project are to:

(1) Encourage economic investment, including job creation, near available housing.

(2) Encourage housing to be located near major employment centers.

(3) Encourage development along corridors served by transit and near transit stations.

(4) Encourage more sustainable and effective transportation between job and housing centers.

(b) The IRP shall contract with a qualified consultant to conduct an evaluation of the pilot project. Ongoing monitoring and evaluation shall be conducted throughout the implementation of phases one and two. After zones have been selected and projects begin on each of the zones, the progress of each project shall be evaluated. The evaluation shall assess the gap between jobs and housing by comparing the ratio between the number of jobs and the number of housing units in a local jurisdiction with a designated IRP Jobs-Housing Opportunity Zone, before an opportunity zone project has been approved and after it has been completed. The comparison shall be based on an optimum balance of jobs and housing being one and one-half jobs for one housing unit, as determined by the Department of Finance. The following data shall be used in determining that a jobs-housing balance has been mitigated in a jurisdiction:

(1) The number of building permits issued as provided by the California Industrial Research Bureau.

(2) The number of jobs generated, as determined by the Employment Development Department.

A final report shall be submitted by the IRP to the Department of Housing and Community Development on or before July 31, 2004.

65891.9. Funding for the IRP State Pilot Project shall be provided in the 2000-01 Budget Act. The IRP State Pilot Project shall begin on January 1, 2001.

65891.10. No local jurisdiction shall be required to participate in the pilot project. This article shall have no fiscal impact on any local jurisdiction.

65891.11. This article shall become inoperative on July 31, 2004, and, as of January 1, 2005, is repealed, unless a later enacted statute that is enacted before January 1, 2005, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 2. Chapter 3.7 (commencing with Section 50540) is added to Part 2 of Division 31 of the Health and Safety Code, to read:

#### CHAPTER 3.7. THE JOBS-HOUSING BALANCE IMPROVEMENT PROGRAM

50540. This chapter shall be known and may be cited as the Jobs-Housing Balance Improvement Program.

50541. The Legislature finds and declares all of the following:

(a) Despite strong economic growth and record-level unemployment in most areas of the state, California has fallen seriously short of its policy of providing every California family with the opportunity to live in decent, affordable housing in a suitable living environment.

(b) The Department of Finance estimates that to meet California's housing need, 230,000 new residential units per year must be built.

(c) For each of the last eight years, California has produced only 50 percent of the housing to meet its need, resulting in a critical accumulated deficit.

(d) Although the lack of sufficient housing is a statewide problem cutting across all geographic areas and income categories, it is most severe in strong economic job center markets where high housing costs make it extremely difficult for working-class Californians to afford a home.

(e) Increasingly, due to high housing costs and constraints on regulatory development policy, California workers are forced to seek homeownership opportunities further and further away from their places of employment.

(f) Conversely, many communities where land is more available and less expensive are located long distances from high-growth job centers. Those developments are occupied predominantly by commuters who travel long distances outside of the communities in which they live and inflate the price of housing.

(g) The exportation of housing demand to outlying areas, including agricultural areas, carries with it definite environmental and quality of life consequences.

(h) Throughout the state, major investments have been, and are being made, in public transit infrastructure. The use of this infrastructure depends on local decisions about the location of jobs and housing to better manage traffic flow and to direct new development and fiscal resources to revive existing urban centers, especially central business districts and infill sites.

(i) Ensuring that transit facilities are surrounded by compact, mixed-use development is a key to increasing transit ridership and reducing reliance on the automobile for all trips. However, neighborhood concerns, complex ownership issues, and local government preference for major sales tax generators make the planning and environmental clearance process for transit-oriented communities very expensive and time-consuming. Investment in pedestrian-friendly, compact transit-village development will reduce long-term infrastructure costs associated with accommodating new highways and roadways.

(j) The failure to provide California's growing workforce an affordable place to live close to one's place of employment is viewed by business, environmental, civic, and labor leaders as a serious threat to sustaining long-term economic prosperity and environmental quality.

(k) Communities need effective tools to promote and reward development in job centers of the state, to reward the development of affordable infill housing as well as mixed-use development that includes housing close to transit, within urbanized areas, and to attract and add employment to areas that lack a sufficient employment base.

50542. It is the intent of the Legislature in enacting this chapter:

(a) To develop an incentive-based strategy to encourage the construction of housing in those areas of the state that over the last decade have experienced the greatest increase in job growth but have not kept pace with necessary housing. This may include the construction of infill housing and transit-oriented development that includes housing, within existing urbanized areas.

(b) To attract new business and new jobs to areas that lack a sufficient employment base in relation to the housing they already provide.

(c) To provide local governments with state funding to reward the approval and construction of housing, particularly housing for California's working class, in strategically defined areas.

50543. (a) Five million dollars (\$5,000,000) of the funds appropriated for purposes of this chapter in Item 2240-114-0001 of Budget Act of 2000 shall be used pursuant to subdivisions (b) and (c).



(b) The department shall provide state grants to local agencies to assist them in attracting new business and jobs in "housing rich" communities that lack an adequate employment base to match the amount and cost of housing in those communities.

(c) A local agency that has completed an economic development strategic plan may apply for a grant to create an economic development strike team to assist the local agency in better targeting and coordinating outreach to employers who may choose to locate jobs within the community.

(d) In order to be eligible for a grant pursuant to this section, a local agency shall have an adopted housing element that the department has determined pursuant to Section 65585 of the Government Code to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.

(e) The department shall establish maximum grant amounts and establish an appropriate process for evaluating need and making grant awards.

(f) No later than December 31, 2002, the department shall provide an interim report to the Legislature indicating the progress of the program established by this section, including the number of jurisdictions accessing the program. No later than December 31, 2005, the department shall provide a final report with updates to the data contained in the interim report and a description of the achievements by local agencies participating in the program.

50544. (a) One hundred million dollars (\$100,000,000) of the funds appropriated for purposes of this chapter in Item 2240-114-0001 of the Budget Act of 2000 shall be used to award incentive grants to cities, counties, and city and counties to be used for capital outlay projects, as defined by Section 7914 of the Government Code, that serve to benefit the community. Eligible projects include, but are not limited to, traffic improvements, neighborhood parks, bike paths, libraries, school facilities, play areas, community centers, and police and fire stations. Grants shall be provided through a grant agreement that requires the recipient to provide to the department a report on the number of residential building permits issued during the reporting period, the number of certificates of occupancy issued for those units, and the amenities purchased or built.

(b) To be eligible for a grant pursuant to this section, a local government shall do both of the following:

(1) By the end of the calendar year in which unit production is to be counted, have an adopted housing element that the department has determined pursuant to Section 65585 of the Government Code to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.

(2) Have a demonstrable and significant increase in the issuance

of residential building permits issued between January 1, 2001, and December 31, 2001, over the average number of building permits issued annually for the most recent 36-month period that can be calculated prior to January 1, 2001. The department shall establish a benchmark level to be achieved in order to establish eligibility for funding based on criteria including a survey of economic forecasts to be conducted by the Department of Finance no later than November 30, 2000.

(c) Grant amounts shall be determined as a per-unit incentive weighted for high, medium, and low employment demand areas. In addition, the department shall provide additional incentives for units in projects within eligible communities that meet criteria designed to encourage planning priorities such as affordability, multifamily housing, and infill development. The department shall establish the definitions and measurement specifications for the incentive criteria to be used to determine grant amounts that are easily and objectively verifiable.

(d) Funding shall be provided as soon after January 1, 2002, as is reasonably possible, allowing time for receipt by the Department of Finance of year-end production figures as well as other information necessary to apply the established criteria. If all funds are not expended after the end of the first calendar year in which housing production is counted, the department may continue the program into the following year if it determines there are adequate funds to administer the program. If residential production within eligible jurisdictions exceeds the department's projections, per-unit incentives shall be prorated within the appropriated funding amount.

(e) The department shall solicit and consider comments from interested parties on the criteria that shall be used for determining the amount of funds granted per unit. The department may deny funding to any jurisdiction that it determines, based on reasonable evidence, failed to issue residential building permits on a timely basis between the effective date of this chapter and January 1, 2001.

(f) No later than December 31, 2002, the department shall provide an interim report to the Legislature indicating the benchmark levels of production established, the number of jurisdictions accessing the program, the number of residential units building permits issued above the established benchmark, and the success of the additional incentives in achieving state housing policies. No later than December 31, 2005, the department shall provide a final report with updates to the data contained in the interim report and a description of the capital outlay projects achieved by local governments through the program and information regarding the number of certificates of occupancy issued in relation to the residential building permits issued.

50545. Five million dollars (\$5,000,000) of the funds

appropriated for the purposes of this chapter in Item 2240-114-0001 of the Budget Act of 2000 shall be transferred to the Rental Housing Construction Fund created pursuant to Section 50740 to be used for urban predevelopment loans pursuant to Chapter 3.5 (commencing with Section 50530), subject to the following provisions:

(a) All projects shall be located within one-half mile of an existing or planned transit station proposed for development. For these purposes, a transit station is a site where two or more mass transit modes, or one transit mode with three or more mass transit lines, are accessible to the public.

(b) Notwithstanding any other provision of law, the department may establish interest rates between 3 and 7 percent based on the department's analysis of project need.

(c) The limitation specified in subdivision (a) of Section 50532 shall not apply to this appropriation.

(d) In addition to the activities eligible under the Urban Predevelopment Loan Program, funds awarded pursuant to this section may be used for master environmental impact reports or other environmental documents that would assess potential impacts in advance and propose measures to mitigate negative impacts.

(e) Awards made pursuant to this section shall require a 50 percent match from the local agency in which the site is located.

(f) In addition to those eligible sponsors specified in subdivision (e) of Section 50530, eligible sponsors shall include limited liability corporations and limited partnerships where all managing members or general partners are nonprofit organizations.

50546. The administrative expenses of the department shall not exceed 3 percent of the amount available for the purposes of this chapter.